



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis
Regional Economic Accounts
Series 3: Income & Compensation

Series 3, Issue 39

June 2021

Highlights

Inside this Brief:

| | |
|--------------------------------|---|
| HC&SA Earnings | 2 |
| HC&SA Earnings Growth | 2 |
| Growth Rate by Earnings Type | 3 |
| Annual Growth by Earnings Type | 3 |
| Compensation per Employee | 4 |
| Compensation Growth | 4 |

The calendar year is the basis for data in this series. See Page 5 for additional information on this series.

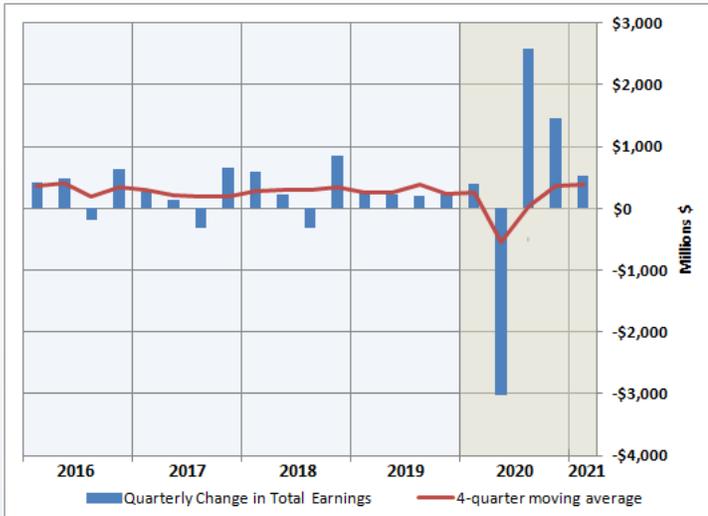
- ◆ In addition to the new income and compensation estimates for Quarter 1 (Q1) 2021 from the Bureau of Economic Analysis (BEA), this report also includes revised estimates from Q1 2020 to Q4 2020.
- ◆ In Q1 2021, Virginia's Health Care & Social Assistance (HC&SA) sector enjoyed its third consecutive quarter of positive growth in total earnings. This quarter's increase in total HC&SA earnings amounted to \$517 million, which translates into a 6.3% annualized growth rate.
- ◆ Virginia's total HC&SA employee compensation also increased in Q1 2021, albeit at a slower rate than total HC&SA earnings. This increase totaled \$194 million, which represents a 2.5% annualized growth rate.
- ◆ Total HC&SA compensation per employee in Virginia increased by \$454 in Q1 2021. With this increase, the HWDC estimates that employees in Virginia's HC&SA sector earn an average of \$70,383 per year.

Data in Brief

| | Income (Millions of Dollars) | | | | Growth Rate, Annualized | | |
|---|------------------------------|--------------|--------------|--------------|-------------------------|---------|-----------|
| | Q1 2020 | Q3 2020 | Q4 2020 | Q1 2021 | Annual | 6-Month | Quarterly |
| Earnings (Personal income less rents, interest, dividends and government payments) | | | | | | | |
| Virginia | \$359,035 | \$356,010 | \$368,104 | \$375,321 | 4.5% | 11.1% | 8.1% |
| National | \$13,369,657 | \$13,255,745 | \$13,624,177 | \$13,844,918 | 3.6% | 9.1% | 6.6% |
| Health Care & Social Assistance Earnings | | | | | | | |
| Virginia | \$32,718 | \$32,281 | \$33,738 | \$34,255 | 4.7% | 12.6% | 6.3% |
| National | \$1,478,443 | \$1,511,753 | \$1,539,074 | \$1,553,200 | 5.1% | 5.6% | 3.7% |
| Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits) | | | | | | | |
| Virginia | \$29,919 | \$29,319 | \$30,953 | \$31,147 | 4.1% | 12.9% | 2.5% |
| National | \$1,342,854 | \$1,353,950 | \$1,399,866 | \$1,407,245 | 4.8% | 8.0% | 2.1% |
| Health Care & Social Assistance Compensation per Employee (HWDC Estimate) | | | | | | | |
| Virginia | \$65,027 | \$67,493 | \$69,929 | \$70,383 | 8.2% | 8.7% | 2.6% |
| National | \$64,947 | \$69,068 | \$70,184 | \$70,893 | 9.2% | 5.4% | 4.1% |

Health Care & Social Assistance Earnings

Figure 1: Quarterly Change in Total Earnings from Virginia’s Health Care & Social Assistance Sector. Includes Proprietor’s Income, Salaries and Wages, and Benefits.



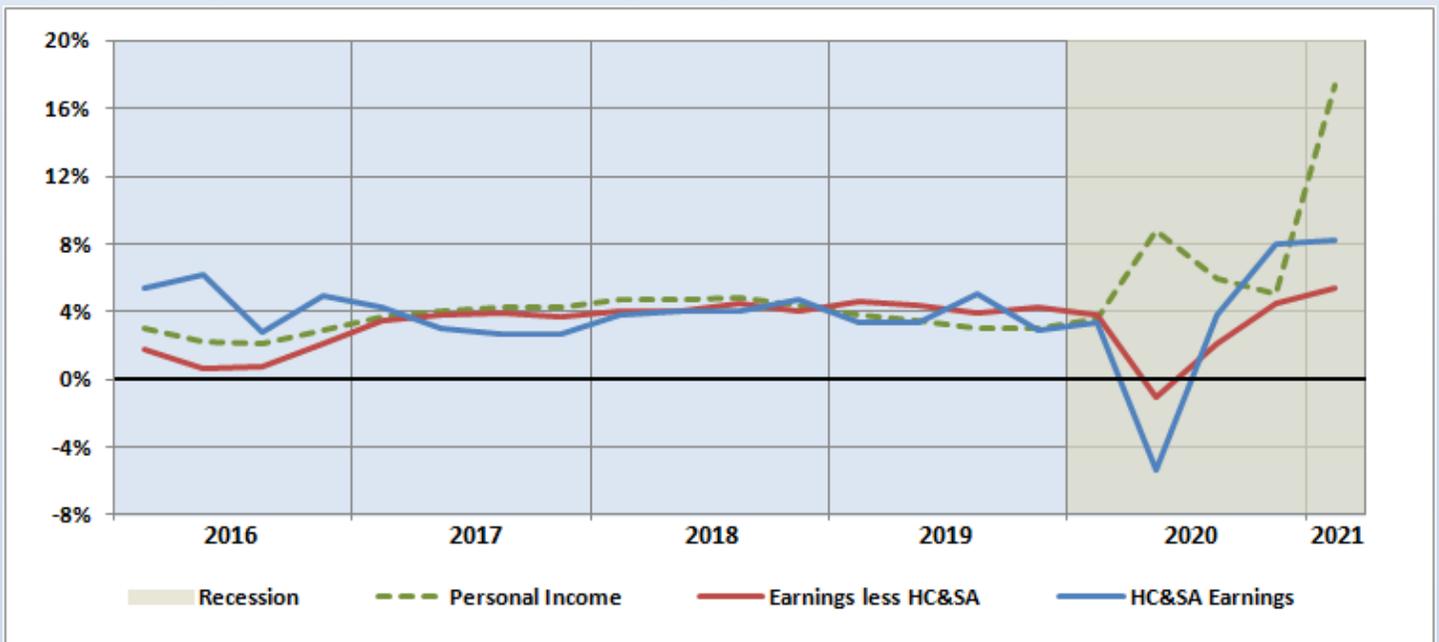
According to the preliminary data released on Tuesday, June 22, 2021 by the U.S. Bureau of Economic Analysis, total earnings in Virginia’s Health Care & Social Assistance (HC&SA) sector increased for the third consecutive quarter, growing by \$517 million to \$34.3 billion in Q1 2021. This gain represents a three-month annualized earnings growth rate of 6.3%.

With respect to total earnings, Virginia’s HC&SA sector has recovered remarkably quickly from the economic dislocations caused by the coronavirus pandemic. In fact, Virginia had already regained all of the losses that had occurred in Q2 2020 by the end of last year. This quarter’s gain represents a more moderate increase that is closer to the results observed prior to the outbreak of the pandemic, thereby signaling the extent to which Virginia’s HC&SA sector is stabilizing after the dramatic fluctuations of 2020.

Virginia HC&SA Earnings Growth Rate

Virginia’s total HC&SA earnings experienced a small increase in their four-quarter growth rate moving average, which rose from 7.95% to 8.25% in Q1 2021. Although this increase was quite modest in comparison to the dramatic gains from the previous two quarters, this result still represents the highest value for the four-quarter growth rate moving average of Virginia’s total HC&SA earnings in more than one decade. There was a somewhat larger increase in the four-quarter growth rate moving average for Virginia’s total non-HC&SA earnings. This moving average increased from 4.45% to 5.45% in Q1 2021. At its current level, the four-quarter growth rate moving average for Virginia’s total non-HC&SA earnings has reached its highest value since 2012. Meanwhile, the four-quarter growth rate moving average for Virginia’s personal income more than tripled in Q1 2021, increasing from 5.10% to 17.40% during the quarter.

Figure 2: Earnings Growth Rate, 4-Quarter Moving Average (Annualized)



Virginia HC&SA Earnings Growth Rate by Earnings Type

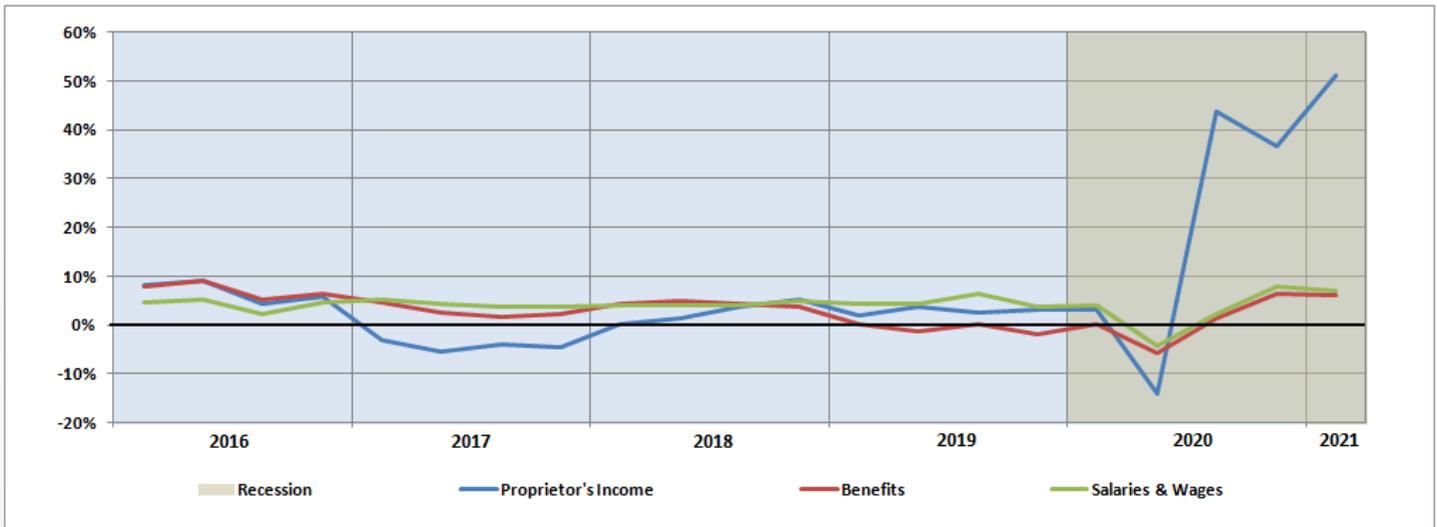


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

Since reaching an unprecedented high back in Q3 2020 during the immediate stages of the post-lockdown economic recovery period, the four-quarter growth rate moving average for HC&SA proprietor’s income has been quite resilient to a return back toward the levels more typically observed before the pandemic. Although this moving average did decline in Q4 2020, it has rebounded strongly to a brand new high at the onset of the new year. In Q1 2021, the four-quarter growth rate moving average for HC&SA proprietor’s income increased from 36.7% to 51.1%. Meanwhile, the comparable moving averages for both forms of HC&SA employee compensation fell in Q1 2021. HC&SA employee salaries & wages saw their four-quarter growth rate moving average fall from 7.9% to 6.9%, while that of HC&SA employee benefits fell from 6.5% to 6.2%.

Annual Growth by Earnings Type

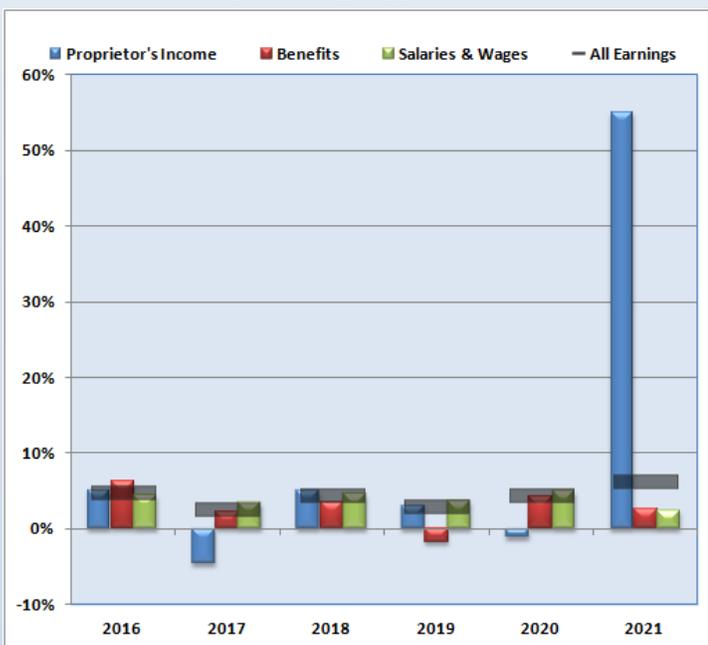


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

In Q1 2021, total earnings in Virginia’s HC&SA sector grew at a 6.3% annualized rate. This represents a particularly strong start to the new year for total HC&SA earnings growth in the state. In fact, if this growth rate were to be maintained throughout the rest of 2021, it would represent the fastest annual growth rate in total earnings in Virginia’s HC&SA sector since 2008. In that year, total HC&SA earnings in the state increased by 7.3%.

This strong growth in total HC&SA earnings during the quarter was due to the dramatic growth in HC&SA proprietor’s income. In Q1 2021, HC&SA proprietor’s income increased at a 55.1% annualized rate. Both forms of HC&SA employee compensation also grew in Q1 2021. HC&SA employee benefits and HC&SA employee salaries & wages grew by 2.6% and 2.5%, respectively, on an annualized basis.

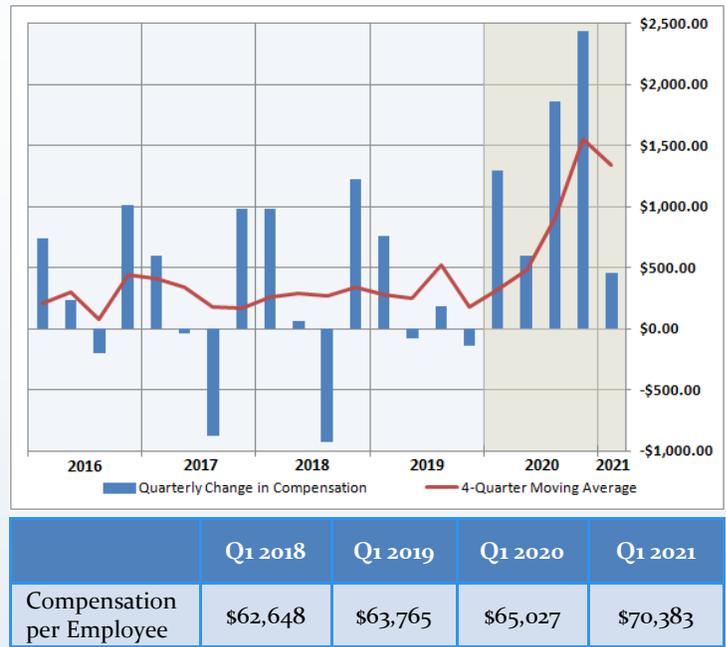
| Earnings Type | Level (Millions) | Share |
|---------------------|------------------|-------------|
| Proprietor's Income | \$3,108 | 9.1% |
| Benefits | \$4,984 | 14.5% |
| Salaries & Wages | \$26,163 | 76.4% |
| Total | \$34,255 | 100% |

HC&SA Compensation per Employee

According to the Healthcare Workforce Data Center’s estimates (see methodology, next page), employees in Virginia’s HC&SA sector earned an average of \$70,383 (annualized) in Q1 2021. Note that this figure includes salaries & wages plus the cost of benefits for employed persons only. Practitioners in private practice, which includes a large number of the sector’s highly paid professionals, are not included in this figure.

Total compensation per employee in Virginia’s HC&SA sector increased by \$454 in Q1 2021, a gain that represents a three-month annualized growth rate of 2.6%. With this gain, total HC&SA compensation per employee has now increased in each of the past five quarters. However, the rate of growth in total compensation per employee in Virginia’s HC&SA sector may be starting to slow down. The increase in Q1 2021 was the smallest gain of the past five quarters, and this led to a slight decline in the four-quarter growth rate moving average for the state’s total HC&SA compensation per employee.

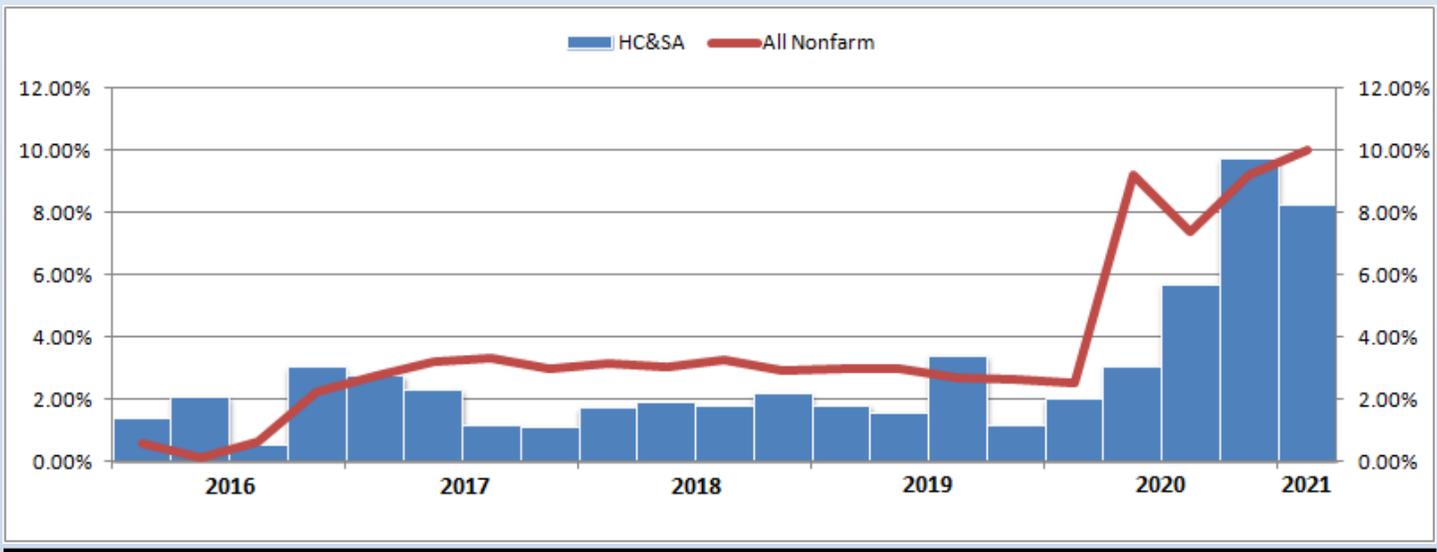
Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.



Compensation per Employee Growth Rate

For the first time since Q4 2019, there was a decrease in the year-over-year growth rate of total compensation per employee in Virginia’s HC&SA sector. Throughout 2020, the year-over-year growth rate of total HC&SA compensation per employee increased steadily, reaching a high of 9.7% at the end of the year. However, this year-over-year growth rate dipped in Q1 2021 to 8.2%. Regardless, the year-over-year growth rate of total compensation per employee in Virginia’s HC&SA sector still far exceeds the recent historical average. Meanwhile, the comparable year-over-year growth rate for Virginia’s total nonfarm payroll compensation per employee increased from 9.24% to 10.03% in Q1 2021. At this level, the year-over-year growth rate of the state’s total nonfarm payroll compensation per employee has nearly quadrupled since Q1 2020.

Figure 6: Year-Over-Year Change in Compensation Per Employee.



Definitions

Economic data in this briefing is from the U.S. Bureau of Economic Analysis' Regional Economic Accounts. In particular, we use the Quarterly State Personal Income Accounts. The definitions provided here are written for a lay audience. More technical definitions and in-depth information on the Regional Economic Accounts are available on the BEA's website:

<http://www.bea.gov/regional/about.cfm>.

Personal Income: Income received from all sources, including salaries & wages, benefits, business profits, rents, government payments or retirement and investment funds. Personal income is based on where recipients live.

Earnings: Earned income includes salaries & wages, benefits (aka supplements to wages and salaries) and proprietor's income. Earnings and its components are based on where recipients work.

Proprietor's Income: Income from small businesses (sole proprietorships & partnerships), corporate director's fees and tax-exempt cooperatives. It does NOT include dividends or interest received by non-financial businesses or rental income received by non-real estate businesses.

Compensation: Salaries & wages and benefits.

Benefits: Referred to as "supplements to wages and salaries by the BEA, benefits includes employer contributions to retirement funds, insurance (including health and life) and to government social insurance programs (e.g., unemployment insurance, Social Security, worker's compensation insurance, etc.).

Salaries & Wages: Salaries, wages, commissions, bonuses and tips, before deductions, based on when payments are disbursed. The value of stock options are also included at the time the options are exercised.

Method of Estimating Compensation per Employee

The HWDC derives estimates of compensation per employee from two sources: 1) U.S. Bureau of Economic Analysis' Regional Economic Accounts (REA), and, 2) the Current Establishment Survey (CES) administered jointly by the U.S. Bureau of Labor Statistics and the U.S. Census Bureau. These sources use different methodologies and different definitions. Although more vigorous estimates of employment are available, the HWDC uses these sources to provide the most timely indication of current trends possible at the state-industry level. The HWDC estimates are early indicators only.

To make the two data sources more comparable, the HWDC makes the following transformations:

CES: To obtain quarterly estimates of employment, monthly figures are averaged for the quarter. For nonfarm employment, we remove the latest available estimate of logging employment from the Quarterly Census of Employment and Wages, rounded to the nearest hundred, from nonfarm totals in the CES prior to averaging.

REA: From nonfarm compensation (or its components), we remove military earnings, agriculture, fishing and forestry earnings and an estimate of earnings from households. For household earnings estimates, we use the REA's Annual State Personal Income and Employment tables to develop current estimates of the proportion of "Other services, except public administration" compensation from employment in private households. We use the most recent data available for the current quarter. We apply this proportion to the current quarterly estimate of "Other services, except public administration".

Despite these transformations, the figures are not wholly comparable. The BEA makes additional adjustments to BLS data when creating its own, annual estimates of employment. Historical indicators are not adjusted by the HWDC, however adjustments made to REA or CES series are incorporated into historical data. For more information on employment data and the REA, see the BEA's *State Personal Income and Employment Methodology*, pages XI-1 to XI-11 & Table K.



Healthcare Workforce
Data Center

Perimeter Center
9960 Mayland Drive, Suite 300
Henrico, VA 23233-1463

Phone: (804) 597-4213
Fax: (804) 527-4434
E-mail: hwdc@dhp.virginia.gov
Website: www.dhp.virginia.gov/PublicResources/HealthcareWorkforceDataCenter/

HWDC Staff:

| | |
|--|--|
| Elizabeth Carter, PhD <i>Executive Director</i> | Yetty Shobo, PhD <i>Deputy Director</i> |
| Laura Jackson, MSHSA <i>Operations Manager</i> | Rajana Siva, MBA <i>Data Analyst</i> |
| Christopher Coyle <i>Research Assistant</i> | |

Follow us on Tumblr:

<http://vahwdc.tumblr.com/>

The Department of Health Professions Healthcare Workforce Data Center works to improve the data collection and measurement of Virginia's healthcare workforce through regular assessment of workforce supply and demand issues among the 80 professions and 350,000 practitioners licensed in Virginia by DHP.

The HWDC collects data on Virginia's licensed health professionals through surveys completed during the online license renewal and application process. Survey results and data may be accessed on our website: www.dhp.virginia.gov/PublicResources/HealthcareWorkforceDataCenter/.

The HWDC also provides a series of Virginia Healthcare Workforce Briefs based on data collected by the U.S. Department of Labor's Bureau of Labor Statistics and the U.S. Department of Commerce' Bureau of Economic Analysis.

Virginia Healthcare Workforce Briefs:

Series 1: State & National Employment (Monthly)

Series 2: Virginia Regional Employment (Monthly)

Series 3: Income & Compensation (Quarterly)

About the Data

Data used in creating this report is from the U.S. Department of Commerce' Bureau of Economic Analysis' Regional Economic Accounts. Unless otherwise noted, data is seasonally adjusted and annualized, and quarterly presentations are based on the calendar year. Data from recent quarters is preliminary and subject to revision in future releases from the BEA. Revisions will be reported in future editions of this series.